

## City of Fontana

FONTANA, CALIFORNIA 92335

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Mayor &  
Info. only  
[Signature]*

## MEMORANDUM

TO: Jack Ratelle, City Manager

FROM: Robert S. Biery, Finance Director *RSB*

SUBJECT: Items Relating to Proposition 13

DATE: July 13, 1978

*Real property tax - City  
Finance, Public - " - Fontana*

Since the passage of Proposition 13, we have made every attempt to keep on top of the proceedings at both the state and county levels in order to measure the effect on the City of Fontana for fiscal year 1978-79. During this period, different members of the staff have had discussions with State and County Officials, which allowed us to provide input for the process that has been taking place. This was done with the idea of looking out for the best interest of the City of Fontana, and while it would be difficult to point out specifics, we feel our efforts were worthwhile.

The passage of Proposition 13 created a great deal of administrative problems and raised many questions that needed to be resolved in order to implement the initiative. During the past five hectic weeks, this city has acted, the State Legislative has enacted SB154 and SB2212, and though we are a long way from having all questions answered, we now have a pretty good idea of what to expect for 1978-79.

Items which we have reasonable assurance of:

We have been notified by San Bernardino County that based on an allocation formula using county-wide assessed valuation, our General Fund Allocation is estimated at \$312,878, and the Vehicle Parking District Fund is estimated at \$950. This represents the distribution of the 1% of market value (\$4 per \$100 A.V.) for 1978-79.

The League of California Cities has provided me with an estimate of our share of the state surplus which is planned for distribution if we meet the restrictions placed on those funds. The estimated amount is \$288,000 and the restrictions relate to: (1) reserve fund limitations; (2) ensure level of police and fire protection programs, and (3) prohibition of wage and salary increases.

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In regards to the Sewer Fund, we are now fairly certain that we will be able to use the old method of setting a tax rate to cover the cost of bond interest and redemption for the indebtedness which was voter approved. The debt service for fiscal 1978-79 is \$217,500, and if this can continue to be supported by property tax, it will minimize greatly the amount of increase required for sewer fee charges.

Initially we had been told we would not be receiving any funds for our redevelopment agencies, but it has now been established that redevelopment agencies will receive \$4 per \$100 A.V. of the increased assessed valuation within the project area. How much this will amount to is not -

*USING 1977-78 TAX RATE  
WE ESTIMATED PROPERTY TAX  
REVENUE FOR 1978-79 AT APPROX. \$4250,000  
PRE-PROP 13.*

*NOTE:*

*\$312,878  
288,000  
\$600,878*

*AUG 2 1978*

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known at this time, and for this year it only relates to the downtown project because the improvements in the Southwest area will not be reflected until next year. Still, this was a very important policy to have established for the future, and one we pushed for very hard.

Items which still need further clarification:

Under the allocation formula being used by the counties for the distribution of the 1% property tax there is no consideration given to individual cities for annexations or new construction which has taken place within their corporate limits. This will need to be resolved for future years.

As was stated earlier, redevelopment agencies at least for now, can expect some revenue. For most agencies throughout the state, this will not be adequate to retire the bonded debt which has been incurred. Therefore, we are sure that additional legislation will be introduced to deal with this problem. Our concern will be to make sure that any discussion of debt retirement does not only include bonded debt, but also general indebtedness of an agency. Other cities will have a similar concern, but because all our debt is of a general nature rather than bonded, we will be particularly interested in this aspect.

With the passage of Proposition 13, cities had taken from them their greatest capacity for local decision making. For most cities in the state, the property tax was the largest single source of revenue. A revenue with no-strings attached, which could be raised (within limits) or lowered by action of the local governing body. It even provided for increases which exceeded established limits when approved by a simple majority of the voters in the community. Proposition 13 wiped this out, and as a result, the term "home rule" is now in a weakened position. This is a concern of the League, and should be a concern of ours.

This has been an attempt to summarize the information that has been made available to this office as well as indicate some important items that still need to be resolved.

RSB:rs

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